

# Growing pains & exploiting the grey pound

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The Northern Ireland economy seems to be back in growth mode following the contraction experienced after 2007. But one aspect of the local economy that has continued to grow despite the downturn has been its population. Indeed, last month, official government statistics revealed that it has actually been growing faster than previously thought.

According to the latest figures, Northern Ireland's population is estimated at 1.82 million; and assuming the continuation of existing trends - in terms of fertility rates, mortality rates and migration - it is expected to grow by 10,000 each year over the next decade, reaching 1.9 million by 2020. Extrapolating even further should see the 2 million mark surpassed by 2036.

The driver of the projected rise in Northern Ireland's population is the so-called natural increase. That is, the difference between the birth rate and the death rate, with the 24,000 plus births per annum outnumbering the 14,500 deaths each year.

Meanwhile, migration is assumed to make no impact on the overall population, with the number of people entering Northern Ireland assumed to balance the number of individuals emigrating. However, this conceals net outmigration for the 18-44 years age-group.

It should be stressed that these are official projections as opposed to forecasts. Whilst we can have a degree of confidence in projecting birth rates and death rates, future patterns of migration are much more uncertain.

Changes in government policies pertaining to immigration - both at home and abroad - fall outside of these projections and could significantly alter the migratory flows into and out of Northern Ireland. To a lesser degree, changes in tuition fees for students could also influence the migratory flows of this cohort.

It is noted that the UK authorities vastly underestimated the inward migration resulting from the expansion of the EU into Eastern Europe and beyond in 2004. According to the 2011 Census, there were 35,700 individuals living in Northern Ireland who were born in the 10 EU Accession countries (*Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia*). This is equivalent to the combined population of Antrim and Dungannon.

Next month will see the border controls lifted on Bulgarians and Romanians entering the UK to live and work. It remains to be seen how many will avail of this opportunity. If 2004 is anything to go by, Northern Ireland is likely to see a significant number of Romanians and Bulgarians arriving from early next year.

Policy makers underestimated inward migration from Eastern Europe in the past and history could well repeat itself with Bulgaria and Romania. The scale of this inward migration has not been factored into the official migration and population projections.

Clearly this growing population will have implications for the local economy in relation to things like the provision of housing and public services. However, Northern Ireland's rising population isn't simply a numbers game. Beneath the headline figures, the structure of Northern Ireland's population has been and will continue to change. In turn, this will place different demands on public service provision and will provide both opportunities and threats for businesses.

One of the most significant trends is the ageing of the population. Over the decade 2012-2022, Northern Ireland's population aged under-65 years of age is projected to increase by 1.5% or 24,000 people. However, the population aged over 65 years of age is expected to grow by 26%, or by 71,000 people, over the same period. The latter is equivalent to an additional pensioner population the size of Lisburn's urban area by 2022. This ageing population trend accelerates thereafter, with the number of people aged 65 and over increasing by 44% in the next 15 years (2012-2027). Meanwhile the oldest of the old - those aged over 85 years of age - is set to increase by 50% from 33,000 to 48,000 by 2022.

Putting Northern Ireland's changing demographic trends into a longer-time period highlights how much the economy has changed. Rising life expectancy has been a global trend that is leading to ageing populations worldwide. Fifty years ago the global life expectancy was just 60 years of age. Today it is 70 years, with those economies in the western world including the UK around or above 80 years of age.

Looking specifically at Northern Ireland, it is noted that 50 years ago children (*under the age of 16*) accounted for 31% of the total population and outnumbered those over the age of 65 years by more than 3 to 1. Today that gap has narrowed significantly; although children still outnumber pensioners, with the former accounting for 21% of the population and the latter 15%. Within 15 years (by 2028), however, the >65 years of age category will have overtaken the under-16 cohort.

Looking at other age categories, it is noted that the number of people in their 30s and 40s currently exceeds the number of individuals in their 50s and 60s by 100,000. However, from 2030 those in their 50s and 60s are set to outnumber those in their 30s and 40s.

All of this has significant implications for policy makers, not least the impact an ageing population will have on healthcare provision and the required make-up of housing provision. A relatively smaller working age population will also have to take the strain of a relatively larger non-working age population and their pension requirements. However, there are also opportunities, with for instance, businesses operating in sectors that are exposed to the 'grey pound' expected to see demand rise as far as the eye can see. And we may even become more reliant on Eastern European labour to meet this demand.

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